

The Earned Income Tax Credit

**Presented to:
State of Michigan
House Tax Policy Committee**

March 16, 2011

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Background I:

**EITC began as a federal program, signed
by President Gerald Ford in 1975.**

**Federal program expanded 1986, 1990,
1993.**

**Michigan is one of more than 20 states
with a supplement to federal EITC.**

Background II:

The last 30-40 years have seen a very large increase in income inequality, in Michigan and around the U.S.

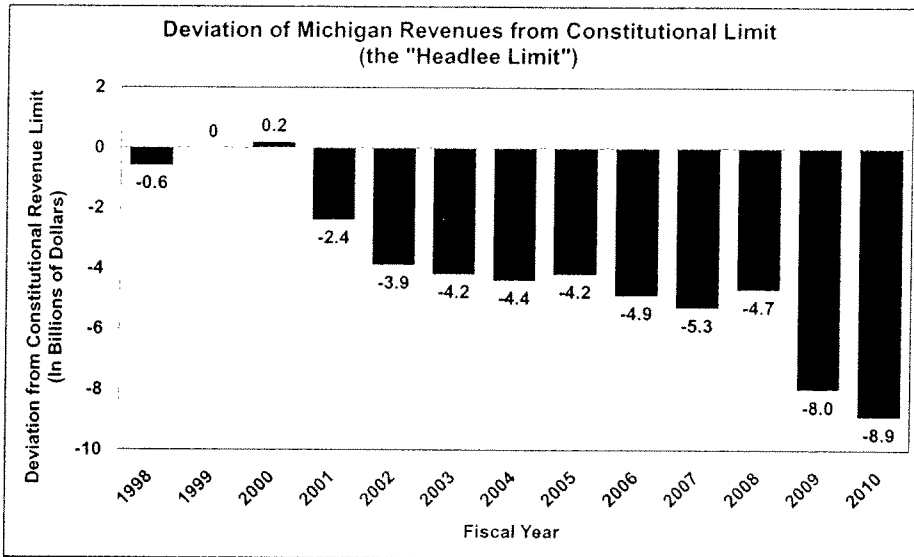
Low-income wage earners have fared poorly. The EITC is one of the few developments that have helped the bottom half of Michigan households.

Background III:

The EITC is only a tiny part of the fiscal year 2012 budget deficit.

There are many other potential remedies to the deficit.

State Revenues Have Fallen FAR Below the Constitutional Limit



President Ronald Reagan (1986): The EITC is “the best anti-poverty, the best pro-family, the best job-creation measure to come out of Congress.”

The EITC is *not* an old-style welfare program. It is an earnings subsidy, targeted at low-income families with children.

Thus the EITC is a more effective anti-poverty program than the minimum wage.

In 2009, for the U.S. as a whole, the EITC is estimated to have lifted 6.6 million people out of poverty, including 3.3 million children.